

**Senate File 2342 - Introduced**

SENATE FILE 2342

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3204)

**A BILL FOR**

1 An Act relating to state taxation by providing specified tax  
2 credits for the construction and installation of solar  
3 energy systems and geothermal heat pumps, modifying sales  
4 and use tax provisions related to property purchased for  
5 resale, and creating a sales tax exemption for certain items  
6 purchased for use in providing vehicle wash and wax services  
7 and including effective date and retroactive and other  
8 applicability provisions.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

GEOHERMAL HEAT PUMP TAX CREDITS

Section 1. NEW SECTION. 422.11I Geothermal heat pump tax credit.

The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by a geothermal heat pump tax credit equal to twenty percent of the federal residential energy efficient property tax credit allowed for geothermal heat pumps provided in section 25(D)(a)(5) of the Internal Revenue Code for residential property located in Iowa. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following ten years or until depleted, whichever is earlier. The director of revenue shall adopt rules to implement this section.

Sec. 2. Section 427.1, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 38. *Geothermal heating and cooling system.*

a. The value added by any new or refitted construction or installation of a geothermal heating or cooling system on or after July 1, 2012, on property classified as residential. The exemption shall be allowed for ten consecutive years. The exemption shall apply to any value added by the addition of mechanical, electrical, plumbing, ductwork, or other equipment, labor, and expenses included in or required for the construction or installation of the geothermal system, as well as the proportionate value of any well field associated with the system and attributable to the owner.

b. A person claiming an exemption under this subsection shall obtain the appropriate forms from the assessor. The forms shall be prescribed by the director of revenue. The claim shall be filed no later than February 1 of the first assessment year the exemption is requested and shall contain information pertaining to all costs and other information associated with construction and installation of the system.

1 Once the exemption is allowed, the exemption shall continue to  
2 be allowed for ten consecutive years without further filing as  
3 long as the property continues to be classified as residential  
4 property.

5 c. The director shall adopt rules to implement this  
6 subsection.

7 Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to the  
8 property tax exemption enacted in this division of this Act.

9 Sec. 4. EFFECTIVE UPON ENACTMENT. This division of this  
10 Act, being deemed of immediate importance, takes effect upon  
11 enactment.

12 Sec. 5. RETROACTIVE APPLICABILITY. The following provision  
13 or provisions of this division of this Act apply retroactively  
14 to January 1, 2012, for tax years beginning on or after that  
15 date:

16 1. The section of this division of this Act enacting section  
17 422.11I.

18 Sec. 6. APPLICABILITY. The following provision or  
19 provisions of this division of this Act apply to assessment  
20 years beginning on or after January 1, 2013:

21 1. The section of this division of this Act enacting section  
22 427.1, subsection 38.

23 DIVISION II

24 SOLAR ENERGY SYSTEM TAX CREDITS

25 Sec. 7. NEW SECTION. 422.11L Solar energy system tax  
26 credits.

27 1. The taxes imposed under this division, less the credits  
28 allowed under section 422.12, shall be reduced by a solar  
29 energy system tax credit equal to the sum of the following:

30 a. Twenty-five percent of the federal residential energy  
31 efficient property credit related to solar energy provided in  
32 section 25D of the Internal Revenue Code, not to exceed three  
33 thousand dollars.

34 b. Twenty-five percent of the federal energy credit related  
35 to solar energy systems provided in section 48 of the Internal

1 Revenue Code, not to exceed fifteen thousand dollars.

2 2. Any credit in excess of the tax liability is not  
3 refundable but the excess for the tax year may be credited  
4 to the tax liability for the following ten years or until  
5 depleted, whichever is earlier. The director of revenue shall  
6 adopt rules to implement this section.

7 3. a. An individual may claim the tax credit allowed a  
8 partnership, limited liability company, S corporation, estate,  
9 or trust electing to have the income taxed directly to the  
10 individual. The amount claimed by the individual shall be  
11 based upon the pro rata share of the individual's earnings of  
12 the partnership, limited liability company, S corporation,  
13 estate, or trust.

14 b. A taxpayer who is eligible to claim a credit under this  
15 section shall not be eligible to claim a renewable energy tax  
16 credit under chapter 476C.

17 4. The cumulative value of tax credits claimed annually  
18 by applicants pursuant to this section shall not exceed one  
19 million five hundred thousand dollars.

20 5. On or before January 1, annually, the department shall  
21 submit a written report to the governor and the general  
22 assembly regarding the number and value of tax credits claimed  
23 under this section, and any other information the department  
24 may deem relevant and appropriate.

25 Sec. 8. Section 422.33, Code 2011, is amended by adding the  
26 following new subsection:

27 NEW SUBSECTION. 29. a. The taxes imposed under this  
28 division shall be reduced by a solar energy system tax credit  
29 equal to twenty-five percent of the federal energy credit  
30 related to solar energy systems provided in section 48 of the  
31 Internal Revenue Code, not to exceed fifteen thousand dollars.

32 b. The taxpayer may claim the credit pursuant to this  
33 subsection according to the same requirements, conditions, and  
34 limitations as provided pursuant to section 422.11L.

35 Sec. 9. Section 476C.2, Code Supplement 2011, is amended by

1 adding the following new subsection:

2 NEW SUBSECTION. 3. A taxpayer who is eligible to claim  
3 a renewable energy tax credit under this chapter shall not  
4 be eligible to claim a solar energy system tax credit under  
5 section 422.11L or 422.33.

6 Sec. 10. EFFECTIVE UPON ENACTMENT. This division of this  
7 Act, being deemed of immediate importance, takes effect upon  
8 enactment.

9 Sec. 11. RETROACTIVE APPLICABILITY. This division of this  
10 Act applies retroactively to tax years beginning on or after  
11 January 1, 2012.

12 DIVISION III

13 SALES TAX EXEMPTIONS

14 Sec. 12. Section 423.1, subsection 39, paragraphs b and c,  
15 Code Supplement 2011, are amended to read as follows:

16 *b.* The property is transferred to the user of the service  
17 in connection with the performance of the service in a form  
18 or quantity capable of a fixed or definite price value, or  
19 the property is entirely consumed in connection with the  
20 performance of an auto body repair service purchased by the  
21 ultimate user.

22 *c.* The sale is evidenced by a separate charge for the  
23 identifiable piece of property unless the property is entirely  
24 consumed in connection with the performance of an auto body  
25 repair service purchased by the ultimate user.

26 Sec. 13. Section 423.3, Code Supplement 2011, is amended by  
27 adding the following new subsection:

28 NEW SUBSECTION. 96. The sales price from the sale of water,  
29 electricity, chemicals, solvents, sorbents, or reagents to a  
30 retailer to be used in providing a service that includes a  
31 vehicle wash and wax, which vehicle wash and wax service is  
32 subject to section 423.2, subsection 6.

33 Sec. 14. EFFECTIVE UPON ENACTMENT. This division of this  
34 Act, being deemed of immediate importance, takes effect upon  
35 enactment.

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EXPLANATION

This bill relates to state taxation by providing specified tax credits and sales and use tax exemptions.

Division I provides an income tax credit and property tax exemption for the construction or installation of a geothermal heating or cooling system in connection with residential property located in Iowa.

The division provides for an income tax credit for such installations equal to twenty percent of the federal residential energy efficiency property income tax credit allowed for geothermal heat pumps. The division states that any credit in excess of tax liability is not refundable but may be credited to the tax liability for the following 10 years or until depleted, whichever is earlier.

The division additionally provides for a property tax exemption equal to the value added by any new or refitted construction or installation of a geothermal heating or cooling system on or after July 1, 2012. The division states that the exemption shall be allowed for 10 consecutive years, and shall apply to any value added by the addition of mechanical, electrical, plumbing, ductwork, or other equipment, labor, and expenses included in or required for the construction or installation of the system, as well as the proportionate value of any well field associated with the system and attributable to the owner. The division specifies procedures regarding claiming the exemption.

The division provides for the adoption of rules by the director of the department of revenue, and states that Code section 25B.7, regarding full state funding of property tax credits or exemptions, shall not be applicable to the geothermal heating and cooling system property tax exemption.

The division takes effect upon enactment. Provisions in the division enacting the income tax credit for geothermal heat pumps apply retroactively to January 1, 2012, for tax years beginning on or after that date. Provisions enacting

1 the property tax exemption for geothermal heating and cooling  
2 systems apply to assessment years beginning on or after January  
3 1, 2013.

4 Division II provides an individual and corporate income tax  
5 credit for solar energy systems. The credit is equal to 25  
6 percent of the federal residential energy efficient property  
7 credit related to solar energy provided in section 25D of the  
8 Internal Revenue Code, not to exceed \$3,000, and 25 percent  
9 of the federal energy credit related to solar energy systems  
10 provided in section 48 of the Internal Revenue Code, not to  
11 exceed \$15,000. The credit is nonrefundable, but may be  
12 carried forward for 10 years, or until depleted.

13 The division provides that an individual may claim the tax  
14 credit allowed a partnership, limited liability company, S  
15 corporation, estate, or trust based upon the individual's pro  
16 rata share of the earnings. The division also provides that  
17 a taxpayer may not claim both the solar energy systems tax  
18 credit provided in the bill and the renewable energy tax credit  
19 provided in Code chapter 476C. Further, the division restricts  
20 the cumulative total of solar energy systems tax credits issued  
21 for all taxpayers to an amount not exceeding \$1.5 million  
22 annually.

23 The division contains reporting requirements regarding  
24 the number and value of tax credits claimed, and any other  
25 information the department may deem relevant and appropriate.

26 The division takes effect upon enactment, and applies  
27 retroactively to tax years beginning on or after January 1,  
28 2012.

29 Division III amends the definition of "property purchased  
30 for resale in connection with the performance of a service"  
31 in Code section 423.1. Under current law, property qualifies  
32 as "property purchased for resale in connection with the  
33 performance of a service" if, among other things, it is  
34 transferred during the service in a form or quantity capable  
35 of a fixed or definite price value and listed as a separate

1 charge. The division provides that property which is entirely  
2 consumed in connection with the performance of an auto body  
3 repair service will also qualify as "property purchased for  
4 resale in connection with the performance of a service", and  
5 provides that the property entirely consumed in performance of  
6 the service need not be listed as a separate charge.

7 The division also creates a sales tax exemption for sales of  
8 water, electricity, chemicals, solvents, sorbents, or reagents  
9 made to a retailer for use in providing taxable vehicle wash  
10 and wax services. By operation of Code section 423.6, an item  
11 exempt from the imposition of the sales tax is also exempt from  
12 the use tax imposed in Code section 423.5.

13 The division takes effect upon enactment.